



Claire McCaskill

Missouri State Auditor

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October 2005

Twenty-Second Judicial Circuit  
City of St. Louis, Missouri

Circuit Clerk's Special  
Interest Fund



Office Of  
Missouri State Auditor  
Claire McCaskill

October 2005

**During our audit of the Twenty-Second Judicial Circuit, city of St. Louis, Missouri, Circuit Clerk's Special Interest Fund, we identified the following problems.**

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We were requested to audit the Circuit Clerk's Special Interest Fund by the Honorable John J. Riley, Presiding Judge, and by the Honorable Mariano V. Favazza, Circuit Clerk.

During the period July 1, 2002 through February 28, 2005, the Circuit Clerk's Special Interest Fund received \$708,543 in revenues and expended \$970,675, and at February 28, 2005, the fund had a cash balance of \$142,518. The Circuit Clerk has not prepared budgets for the Special Interest Fund and has not turned over the balance of the Special Interest Fund to the city as required by state law since June 2001. The Circuit Clerk determined the Special Interest Fund would be used to support computer and accounting services for the office, reimburse the city's payroll costs for city workers hired to supplement the clerk's staff, and the balances would be retained for unexpected expenses or budget shortfalls. However, various state laws require the office to prepare comprehensive budgets and to transfer unused monies to the city's treasury.

The Circuit Clerk did not adequately monitor the acquisition and use of computer services. The Circuit Clerk paid over \$557,000 from the Special Interest Fund and over \$600,000 from city general revenue funds for computer services during the period July 1, 2002 through February 28, 2005. The computer services were provided by two firms, a private computer company and Regional Justice Information Service (REJIS), a quasi-governmental entity. Both firms had provided computer services to the Circuit Clerk's office since at least 1990. The private computer company's contract expired June 30, 1999, and the REJIS contract expired June 30, 2002. After the contracts expired, the Circuit Clerk's office continued to utilize the services of both firms. Bids were not solicited for these computer services, and no written agreements were established upon expiration of the contracts. However, the fees paid to the two firms were increased while other options for retaining or replacing the existing system were explored.

The Circuit Clerk's Information Technology (IT) Manager was to review all of the computer services bills to determine the services had been requested and the hours were billed in accordance with the agreed-upon rates. The IT manager indicated that he scanned most of the invoices but did not always document his review. As a part of our audit, we requested the IT manager again review the vouchers and invoices. After numerous discussions with clerk and vendor personnel, it was determined 12 hours of programming services, at a cost of \$1,020, had been overbilled. While the amount of questioned billings was relatively small, compliance with established control procedures could have prevented any overbillings.

(over)

YELLOW SHEET

At February 28, 2005, the Circuit Clerk was holding over \$8.8 million in monies related to civil and criminal cases filed with the court prior to 1999, and over \$644,000 in child support monies collected prior to 2001. Approximately 84 percent of the Special Interest revenues collected during the audit period were generated as a result of the Circuit Clerk continuing to hold these undistributed monies. The Circuit Clerk's efforts to distribute the civil monies reduced the balance of those funds from about \$8.6 million at June 30, 2002, to about \$7.6 million at February 28, 2005. There has been no attempt to address the criminal monies of over \$1.2 million collected prior to 1999 or the child support monies held during the audit period. It appears the Circuit Clerk has not dedicated adequate resources to distributing these old monies. The failure to distribute monies in a timely manner has been noted in audit reports for the Office of Circuit Clerk dating back to 1986.

In 2001, the Circuit Clerk hired a former accounting employee under a "personal services" agreement to perform "temporary" accounting services to identify and assist in distributing the old, held monies. The Circuit Clerk did not solicit bids for these accounting services nor document the reasons bids were not solicited. During the audit period, the accountant was paid about \$121,400 from the Special Interest fund.

During the audit period, the office's records indicated the accountant's work resulted in the identification and distribution of over \$1.6 million from both the pre and post 1999 civil cases. In 2003 and 2004, the accountant, in conjunction with the private computer company and the Circuit Clerk's staff, developed two computer system enhancements that would speed up distribution; however, these enhancements have not been fully implemented. These enhancements were used to assist with distributing 49 percent of the \$1.6 million. Fully automating these functions and using selective criteria to determine large groups of cases to which they could be applied would likely address the majority of old civil cases and result in correct distributions of most of the \$7.6 million in old civil monies.

The Circuit Clerk has not solicited bids for banking services since 1999 and did not monitor the interest paid on the bank accounts. Our audit found an underpayment of interest of \$88,564. After we brought this error to the Circuit Clerk's attention, the bank was contacted and a check was issued to correct the underpayment of interest.

In addition to computer, accounting, and banking services, we noted the Circuit Clerk failed to solicit bids or document why bids were not solicited for 7 items purchased with Special Interest Fund monies, costing more than \$2,000 each, and totaling nearly \$61,000.

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TWENTY-SECOND JUDICIAL CIRCUIT  
CITY OF ST. LOUIS, MISSOURI  
CIRCUIT CLERK'S SPECIAL INTEREST FUND

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Presiding Judge and Court en banc  
and  
Circuit Clerk of the  
Twenty-Second Judicial Circuit  
City of St. Louis, Missouri

The State Auditor was requested to audit the Circuit Clerk's Special Interest Fund of the Twenty-Second Judicial Circuit, city of St. Louis, Missouri by the Honorable John J. Riley, Presiding Judge, and the Honorable Mariano V. Favazza, Circuit Clerk of the Twenty-Second Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the 2 years ended June 30, 2004, and the period July 1, 2004, through February 28, 2005. The objectives of this audit were to:

1. Review internal controls over significant financial functions.
2. Review compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the judicial circuit, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of

noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the office of the Circuit Clerk's management and was not subjected to the procedures applied in the audit of the judicial circuit.

The accompanying Management Advisory Report presents our findings arising from our audit of the Circuit Clerk's Special Interest Fund of the Twenty-Second Judicial Circuit, city of St. Louis, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

May 16, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	John Blattell, CPA, CFE
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MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS



TWENTY-SECOND JUDICIAL CIRCUIT  
CITY OF ST. LOUIS, MISSOURI  
CIRCUIT CLERK'S SPECIAL INTEREST FUND  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

<b>1.</b>	<b>Budgetary Controls</b>
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The Circuit Clerk did not prepare budgets for the Special Interest Fund, and did not transfer funds to the city in a timely manner. During the audit period, the Circuit Clerk received \$708,543 in revenues and expended \$970,675 from the Special Interest Fund, and at February 28, 2005, the cash balance was \$142,518.

- A. There are various state laws addressing budgets as they relate to the Circuit Clerk. Section 50.540, RSMo, requires all offices to submit to the budget officer, in this instance the budget officer of the city of St Louis, estimates of its expenditures and revenues for the next budget year compared with corresponding figures for the last completed fiscal year and estimated figures for the current year. Section 50.550, RSMo, requires the annual budget to present a complete financial plan for the ensuing year. Section 50.640, RSMo, states the estimates of the circuit clerk shall bear the approval of the circuit court. Under Section 483.310, RSMo, the Circuit Clerk may use the income generated from investments of court monies for expenses of his office.

The Circuit Clerk has not prepared budgets for the Special Interest Fund. The failure to prepare a budget restricts the information available to the city, the court, and the citizens of St. Louis about the fund, and prevents consideration of all available resources by the budgetary officials of the city and court. It is apparent the Circuit Clerk intends to disclose this information as he stated in his "Message to the Taxpayers", posted to his website in January 2005. A sentence from this message states "How I spend your money should never be a secret." The budget should accurately reflect resources on hand, reasonable estimates of revenues and expenditures, and the anticipated ending cash balances.

- B. The Circuit Clerk did not turnover the balance of the Special Interest Fund to the city during the audit period. Section 483.310, RSMo, indicates, "the balance, if any, shall be paid into the general revenue fund of the county." The statute does not specify when the balance should be remitted to the city. During the Circuit Clerk's term in office, which began in January 1999, the Circuit Clerk has turned over \$1.2 million in interest earnings to the city. However, the last turnover was in June 2001. The Circuit Clerk determined the Special Interest Fund would be used to support the computer and accounting services discussed later in this report, reimburse the city for payroll costs for city workers hired to supplement his staff, and the balances would be retained for unexpected expenses or budget shortfalls. For fiscal year 2003, the court budget committee directed the Circuit

Clerk to fund \$400,000 of his office's expenses from the Special Interest Fund rather than from city general revenue funds.

The cash balances of the Special Interest Fund at February 28, 2005, and at June 30, 2004 and 2003, were \$142,518, \$102,594, and \$168,312, respectively. It appears these funds should have been transferred to the city's general revenue fund.

**WE RECOMMEND** the Circuit Clerk prepare a budget for the Special Interest Fund and make that information publicly available to the budgetary officials of the city, the court, and the taxpayers. In addition, if the Circuit Clerk has no formal plans for the balances remaining in the Special Interest Fund, these funds should be transferred to the city's general revenue fund.

### **AUDITEE'S RESPONSE**

*We agree the office's plan to spend interest earnings should be placed in writing. We have always had an annual plan for the use of interest earnings and communicated it in general to the statutorily appropriate official, the St. Louis City Budget Director.*

*Additionally, when requested, we have, numerous times, provided the Twenty Second Judicial Circuit Court's Budget Committee or Presiding Judge with information regarding the balance of the interest income account, and documentation of expenditures from it. The committee has used that information, at least in Fiscal Year (FY) 2002, when taking action on the office's budget. Moreover, since January 2005, we have posted, by fiscal year, a general description of the office's expenditures incurred during the current Circuit Clerk's term.*

*In July 2005, in accordance with the audit's recommendation and the Circuit Clerk's beliefs, we sent our written plan for the use of interest earnings for FY 2006 to the Budget Director. We will continue to comply with the law by meeting with him annually. Additionally, each July we will send him a written plan for the use of the interest income for that fiscal year, and will at that time disburse any excess interest earnings to the city.*

*In July 2005, due in part to an unplanned recovery (See 4.B below) and our prudent management of expenses, we disbursed \$150,000 of interest earnings to the city.*

*We have complied with all applicable laws related to these funds.*

- A. *In its findings regarding budget controls, the audit cites four statutes as pertaining to this area. The first two, RSMo. §§ 50.540 and 50.550, pertain to county budgets in general. Based on § 1.080, we do not think these statutes apply. The third, § 50.640, pertains to the appropriation of city general revenue funds for the operation of the Circuit Clerk's Office. The funds at issue are not general revenue funds. The fourth, § 483.310, is the only statute cited that is on point with respect to the funds at issue. Additionally, we think that § 478.428 has some application to this issue.*

*Section 478.428 requires the Circuit Clerk and the city of St. Louis Budget Director to meet “not later than the first day of February” to “discuss” the “circuit clerk’s requirements for expenditures and its estimates of revenue for the next budget year.”*

*The office has always complied with § 478.428, and during that meeting advises the Budget Director, in general, of our plans for use of the interest income, and what money, if any, he might expect to receive from that source of potential revenue.*

*Section 483.310 governs the interest earned by the office on the deposits derived from payments received from citizens for court fees and other deposits paid in conjunction with cases filed in the court. It requires the Circuit Clerk to deposit those funds into interest bearing accounts. It gives the Circuit Clerk the power and responsibility to spend all, part or none of the earnings on office expenses. It requires that any funds held in excess of planned needs be given to the city of St. Louis, although it does not set a specific time for when this must occur.*

*Prior to FY 2002, the office spent very little of the interest earnings. Between FY 1999 and FY 2001 we disbursed nearly \$1.6 million dollars of interest earnings to the city.*

- B. In 2001 the office experienced two events that drastically changed our use of interest earnings. First, we lost 25 employees due to state budget problems. Nine of those employees were taken for the benefit of the Probate Court Clerk’s Office.*

*To overcome the loss and keep service at acceptable standards, the Circuit Clerk first authorized the use of appropriated city general revenue funds, and later interest earnings to hire staff necessary to operate the office. It should be noted that other Circuit Clerk offices use local funds to hire additional staff.*

*The office also lost the position of an additional accountant who was responsible for disbursing the millions of dollars in private citizens’ deposits held by past administrations. To fulfill his commitment to the State Auditor, the Circuit Clerk then had to pay for that accountant from the interest earnings.*

*By law the city of St. Louis is obligated to pay for the office’s expenses from its general revenue funds. Prior to FY 2002 almost all our expenses were paid for by these funds.*

*Second, in February 2001 the Twenty-Second Judicial Circuit Court en banc, hereafter referred to as “the court,” drastically reduced our FY 2002 budget, eliminating expenses it knew were essential to operate the office by eliminating our entire budget to operate our computer systems. In addition, the court prevented the city from transferring funds between line item appropriations in our budget to meet unexpected expenses without their approval.*

*Usually, near the end of a fiscal year it is necessary to move funds from one line item to another to meet expenses. This process does not increase the overall budget, but merely permits more money to be spent in one area and less in another. Previously, only the*

*Circuit Clerk's approval was necessary to submit a transfer request to St. Louis' Board of Estimate and Apportionment.*

*The court's actions were taken in part because it did not want the Circuit Clerk to hire local paid staff to meet the office's responsibilities, despite the fact that we absorbed 9 losses meant to effect its office, the Probate Court Clerk's Office. As a result of the court's actions, the Circuit Clerk can no longer rely on having sufficient funds appropriated or available to meet the office's needs. The Circuit Clerk had to use, and will use the funds he is authorized by statute to spend for the office's needs. The Circuit Clerk has and will continue to prudently exercise his authority; ever mindful that it is public money he spends.*

*Despite the Circuit Clerk's decision to incur new additional expenses by hiring staff, the office has spent less money in every fiscal year since FY 1999, than it did in FY 1999. By comparison, during the same time period, the court's Court Administrator's budget has seen significant increases.*

## **2.**

### **Computer Services**

The Circuit Clerk did not adequately monitor the acquisition and use of computer services. The Circuit Clerk paid over \$557,000 from the Special Interest Fund and over \$600,000 from city general revenue funds for computer services during the period July 1, 2002 through February 28, 2005. The computer services were provided by two firms, a private computer company and Regional Justice Information Service (REJIS), a quasi-governmental entity. Both firms had provided computer services to the Circuit Clerk's office since at least 1990.

- A. The Circuit Clerk did not solicit bids for computer services and the written agreements were not renewed upon expiration. The private computer company contract expired June 30, 1999. After the contract expired, the private computer company continued to provide technical support and software maintenance services for a monthly retainer of \$7,500 and additional programming services were billed at a rate of \$75 per hour. In June 2003, the private computer company negotiated an increase in the monthly retainer to \$8,000 and the hourly rate to \$85.

The REJIS contract expired June 30, 2002. They provided a centralized computer system, software, and programming for the Circuit Clerk's criminal case management system. Under the terms of the old contract, the basic monthly fee for services was \$12,500, plus \$60 per hour for programming services and some additional communication equipment charges. By February 2005, the monthly maintenance and equipment charges had risen to about \$16,180 and programming services costs had increased to \$68 per hour.

The Circuit Clerk has indicated that due to the nature of the systems and the long standing relationships with the vendors it was highly unlikely any outside vendor would submit reasonable bids for computer system services, maintenance, or enhancement. However, as discussed later in this report, in 1999, the Circuit Clerk received a proposal from a private computer company to replace the REJIS system at a substantially reduced annual service cost.

Competitive bidding helps ensure the Circuit Clerk's office receives fair value and ensure all parties are given an equal opportunity to participate in the Circuit Clerk's business. When it is determined that goods or services are available only from a single source, the decision to forego competitive bidding should be documented and approved by the Circuit Clerk. Without written contracts, the payment terms, and responsibilities and expectations of the parties are unclear.

- B. In February 2004, the Circuit Clerk and the private computer company entered into a "memorandum of intent to enter into a contract" and the Circuit Clerk committed to a \$10,000 nonrefundable "option" payment. If the full contract was entered into, the private computer company would adapt an existing computer program and take over the criminal case management function that was being performed by REJIS. The memorandum indicated the private computer company's system would cost \$50,000 for development and conversion of existing data and \$60,000 for yearly maintenance. This was a substantially lower annual maintenance cost than the REJIS system. The Circuit Clerk indicated the vendor had initially set the development and conversion cost at \$150,000 and was willing to reduce that cost to \$50,000 only if the Circuit Clerk would act swiftly. The Circuit Clerk indicated the "option" payment was a means to lock-in the vendor's reduced offer.

The documentation provided by the Circuit Clerk to support the indicated cost reduction was a 1999 offer by the private computer company to develop a criminal case management system for \$150,000 with an annual maintenance fee of \$25,000. In that document the private computer company estimated total savings of \$1.2 million from 2000 to 2005 if the Circuit Clerk switched from REJIS to the private computer company's system. However, the Circuit Clerk failed to take action to replace the REJIS system until he signed the "option" agreement in February 2004.

In early March 2004, the court solicited a study of alternative case management systems to be performed by the University of Missouri, St. Louis Center for Business and Industrial Studies. That study, issued in June 2004, concluded the state's Justice Information System (JIS) was the best long-term alternative, although switching to the private computer company's system would have been beneficial if implementation of JIS was delayed more than 18 months. In August 2004, the court determined the JIS system would be adopted. In January 2005, the court ordered the Circuit Clerk to sign a memorandum of understanding under

which the JIS criminal case management system would be implemented. The planned JIS start-up date is January 2006.

The Circuit Clerk did not obtain cost estimates for computer hardware and maintenance services that would be necessary to allow the private computer company's system to function. The Circuit Clerk did not obtain required approvals for the private computer company's system from the Missouri Court Automation Committee and the State Judicial Records Committee, as required by Court Operating Rule 1.08, prior to entering the option agreement, or consult with the court en banc. These actions, at a minimum, should have been taken prior to making any commitment, including the \$10,000 payment, to replace the existing criminal case management system.

- C. The Circuit Clerk had not developed procedures to monitor the number of hours worked by the private computer company to provide software maintenance. The private computer company reported the actual number of hours worked under the maintenance agreement on the monthly billing statements. We determined the private computer company had averaged nearly 114 hours per month during the audit period, and the average cost of each maintenance hour worked on the Circuit Clerk's system was nearly \$96.

From August 2004 to February 2005, the vendor averaged 46.3 hours per month, with only 13.5 hours being worked in November 2004. The average cost per delivered hour of service during this six month period was over \$235. The average cost per delivered hour of service in November 2004 was approximately \$592. There is no documentation that the vendor failed to perform any required maintenance service. However, if the vendor can consistently complete the maintenance services in less than 50 hours each month, the \$8,000 monthly cost for the maintenance agreement appears excessive.

The Circuit Clerk should develop procedures to evaluate the costs of computer service maintenance agreements. Periodic reviews of maintenance service agreements are necessary to ensure all required tasks are being performed and to determine if the related costs are reasonable.

- D. The expired REJIS contract indicated the Circuit Clerk would receive up to 50 hours each year of programming services at no additional charge. We could not determine from the documentation available at the Circuit Clerk's office whether any "free" programming had been provided during the audit period. We contacted REJIS and according to their internal documentation the Circuit Clerk was provided 50 hours of no charge programming in 2003, even though, according to the vendor, they were under no obligation to provide those services at no charge since the contract had expired.

When the Circuit Clerk chose not to renew the contracts for 2004 and 2005, the vendor ceased providing the 50 hours of free programming. REJIS indicated that

providing some programming at no additional charge is included in almost all service agreements with other clients and it was very likely that it would have been included in the Circuit Clerk's contract if it had been renewed. It appears the decision not to renew the REJIS contract resulted in the loss of 100 hours of no charge programming, which instead were billed at a total cost of \$6,800. The Circuit Clerk had not established procedures to monitor the provision of the no charge programming or ensure staff responsible for reviewing computer services billings were aware of all contract requirements.

- E. The Circuit Clerk did not ensure established policies and procedures for review of computer services billings were followed. The Circuit Clerk's Information Technology (IT) Manager was to review all of the computer services bills to determine the services had been requested and the hours were billed in accordance with the agreed-upon rates. The IT manager indicated that he scanned most of the invoices but did not always document his review.

We scanned copies of the payment vouchers and, where available, the detailed statements and invoices for computer services from the private computer company. We requested the IT manager again review the vouchers and invoices. He subsequently reported that it appeared the private computer company had billed for 48 hours of programming services that likely should have been covered under the software maintenance agreement. The manager indicated he had not been informed that the Circuit Clerk's staff had requested an additional 170 hours and, therefore, could not determine if the billed amounts were reasonable. The total cost of the hours in question was over \$18,500. The IT manager's report was forwarded to the clerk's Chief of Staff for review. After numerous discussions with clerk staff and vendor personnel, and further review of documentation, it was determined a total of 12 hours appeared to have been billed at a cost of \$1,020 that should have been covered under the maintenance agreement. While the amount of the ultimate questioned billings was relatively small, compliance with established control procedures could have prevented any overbillings.

The Circuit Clerk has discussed the breakdown in control procedures with the IT manager and is now requiring all staff who request computer services to notify the IT manager prior to requesting services. The Circuit Clerk indicated he would contact the vendor regarding a refund.

**WE RECOMMEND** the Circuit Clerk:

- A. Solicit bids for computer services and ensure all agreements are current and in writing. If solicitation of bids is not conducted because there is only one firm or individual that can provide the desired services, the decision to forego solicitation of bids should be documented.

- B. Obtain approval of the Missouri Court Automation Committee and the State Judicial Records Committee and consult with the court en banc prior to making any commitments for alternative computer systems. Furthermore, a thorough cost-benefit analysis should be performed before committing to any future upgrades to systems or components.
- C. Perform periodic reviews of maintenance service agreements to ensure all required tasks are being performed and to determine if changes in the services required and related costs should be considered.
- D&E. Ensure established internal control procedures over computer services billings are followed, ensure staff responsible for reviewing computer services billings are made aware of all contract terms, and seek an appropriate refund from the vendor for any overbillings.

### **AUDITEE'S RESPONSE**

*We agree bidding for acquisition of goods and services is ordinarily the prudent practice to follow. There are circumstances, as is recognized in the audit, where goods and services can only be practically acquired from a single source. We agree our records do not include documentation that the vendors of our computer services are single source providers. We will place such documentation into our records.*

*Furthermore, this will no longer be an issue as the office will convert to the state software, the Justice Information System (JIS) in June 2006. There is no local flexibility to JIS that permits enhancements not approved by the Change Sub-Committee of the Missouri Court Automation Committee (MCAC). The vendor fees for JIS maintenance are paid via the MCAC from state funds.*

*We agree that the REJIS contract and several other contracts expired without renewals. The office will prevent this from re-occurring by developing a list of contracts and their expiration dates. The Purchasing Department will create and maintain the list and advise management three (3) months in advance of the date of a contract's expiration. Expected date of completion is three (3) months.*

*Approval of non-JIS data processing systems is obtained from the State Judicial Records Committee, which meets on a periodic basis, not daily. Their pre-approval was not possible under these circumstances, but the contract included a provision that would have terminated our commitment to proceed if the system was not approved, and the software was designed to meet all of the committee's requirements.*

*We will continue to perform cost benefit analysis for automation expenses.*

*We agree that between August 2004 and February 2005 our need for maintenance work on systems built and maintained by "the vendor" has been less than in years past.*



- A. *The office currently uses custom designed software systems that predate the present Circuit Clerk's term in office. On taking office, the Circuit Clerk was advised by Office of the State Courts Administrator's staff that the time spent by a software programmer to learn the existing systems would be extensive, and thus cost prohibitive. As such, he concluded, as had previous Circuit Clerks, that the maintenance of and enhancements to the office's existing systems are "single source" acquisitions. Despite that fact, the Circuit Clerk negotiated a reduction in the cost of maintenance/use for both systems, saving St. Louis taxpayers over \$100,000.*
- B. *For sometime the office was discussing with a vendor the possibility of implementing a new criminal case processing system that would incorporate it with existing systems used in criminal cases built and maintained by that vendor. In February 2004, we received an offer from the vendor that would save taxpayers' money and spread out the cost of implementing new software for criminal case processing over a four-year period. The vendor required a near immediate commitment of \$10,000 to secure the offer and pay for the expense for initial work to develop and implement a new software system.*

*At that time, the office's current system had demonstrated that it could not meet the office's needs and was costing taxpayers nearly \$200,000 a year to operate.*

*By comparison, over a four year period the new system would cost taxpayers \$290,000 to acquire and operate, while the existing system would cost taxpayers \$800,000.*

*Another option was considered, implementing the software system developed by state funds, JIS. In February 2004, however, at that time, it could not perform an essential function unique to St. Louis, the activation of arrest warrants in law enforcement data systems by automation. Additionally, there would be a significant local cost to implement the software.*

*Based on the facts available at the time, the Circuit Clerk made his decision to secure the best deal he thought available. Even the study, referenced in the audit, concluded the vendor's system was a better "fit" for the office, and it should be implemented if JIS could not automate the activation of arrest warrants, and be implemented in 18 months from the date of the study's findings.*

*The vendor delivered the software system and converted then existing data into it. We received a product and services for the payment made in February 2004.*

*It should be further noted that the current estimated cost to St. Louis taxpayers to implement JIS criminal is in excess of \$300,000, which exceeds the cost to have acquired and operated the vendor's software for four years.*

- C. *Using the audit's analysis, it is understandable the audit questions whether the maintenance payment to "the vendor" is "excessive." Yet, two other valid methods of analysis yield different results.*

*First, nearly 70 percent of the office's automation functions are performed in software built and maintained by "the vendor," yet it accounts for less than 50 percent of the office's automation budget. By this analysis, REJIS expenses seem "excessive."*

*Second, we spend an average of \$420,000 a year for automation expenses. A similar size circuit clerk's office spends approximately \$800,000 a year for automation expenses. Under this analysis, neither vendor's charges seem "excessive."*

*D&E. The office had established a procedure to review automation bills for their accuracy. The manager of the Data Processing Department was to review vendors' bills, and then contact the appropriate department manager to verify that the enhancement work was satisfactorily completed. The office failed to follow our procedure, and in turn a small overpayment occurred. It should be noted that all enhancements were satisfactorily completed. The office has re-instituted the past procedure.*

*REJIS is a quasi government entity. REJIS does not indicate on its bill "free" hours of programming provided, or give any notice whether it has provided "free" programming. As such, we did not know if REJIS was providing the 50 hours of "free" programming.*

*We have received a credit from the other vendor for the overpayment of \$1,020.*

<b>3. Efforts to Distribute Monies</b>
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The Circuit Clerk did not dedicate adequate resources to identifying and distributing monies held in the court registry. At February 28, 2005, the Circuit Clerk was holding over \$8.8 million in monies related to civil and criminal cases filed with the court prior to 1999. Approximately \$595,000 (84 percent) of the \$708,500 of Special Interest revenues collected during the audit period were generated as a result of the Circuit Clerk continuing to hold the undistributed monies. The clerk is also holding over \$644,000 in child support monies collected prior to 2001. These monies are due to the city, the city sheriff, the state, individuals or their attorneys, parents owed child support, and other entities for which the court collects fees.

A. The undistributed monies had not been disbursed timely by former Circuit Clerks due in part to problems in the case management computer systems and failure to take timely action to disburse monies upon disposition of cases. Also contributing to this problem was the policy of holding deposits for court costs submitted by the plaintiffs until court costs were collected from the defendant. The clerk's failure to pro-rate distribution of costs and fees when the costs and fees exceeded the amounts deposited with the court, and failure to follow up on long-term outstanding distribution checks also contributed to this deficiency. In addition, in many instances when the monies were properly distributed, the computer system was not updated to reflect the issuances. The Circuit Clerk indicated action has been taken to address these issues for cases filed under the clerk's term of office.

Under the Section 447.532, RSMo 2004, all intangible personal property held as of June 19, 2002, for the owner by any court that has remained unclaimed for more than three years is deemed abandoned and shall be turned over immediately to the state treasurer. Prior to turning monies over to the treasurer, the Circuit Clerk is required to perform due diligence efforts to identify, locate, and disburse the monies to the rightful owners. Due to the unreliable computer data, the clerk has determined identifying the specific parties and amounts to which the court monies are due is necessary.

The Circuit Clerk's efforts to distribute the civil monies reduced the balance of undistributed funds from about \$8.6 million at June 30, 2002, to about \$7.6 million at February 28, 2005. There has been no attempt to address the criminal monies of over \$1.2 million collected prior to 1999 or the child support monies of about \$644,000 held during the audit period. We estimated the Circuit Clerk spent from the Special Interest Fund, about \$6,600 for computer enhancements and about \$121,400 for accounting services that resulted in distributions of held monies. Expenditures directly related to the distribution of old monies was about 13 percent of the total expenditures from the Special Interest Fund during the audit period. As noted above, the old monies generated about 84 percent of the Special Interest Fund revenues during that same period. It appears the Circuit Clerk has not dedicated adequate resources to distributing these old monies. The failure to distribute monies in a timely manner has been noted in audit reports for the office of Circuit Clerk dating back to 1986.

- B. In 2001, the Circuit Clerk hired a former accounting employee under a "personal services" agreement to perform "temporary" accounting services to identify and assist in distributing the old, held monies. This accountant's primary duty would be to address the old "civil" monies. The accountant used the Circuit Clerk's computer system and the paper case files to research cases and determine the correct distribution. This accountant also performed other tasks, such as reviewing newer civil cases, assisting in the development and actual testing of computer system enhancements that could speed up the distribution of old monies and helping ensure correct distribution of monies for newer cases.

The Circuit Clerk did not solicit bids for these accounting services. During the audit period, the accountant was paid about \$121,400 from the Special Interest Fund. The Circuit Clerk had determined that these services required an in-depth knowledge of the computer system, case documentation, and court procedures to identify and distribute the various type of court costs and fees collected. The clerk indicated none of the existing staff of over 157 employees had the time or expertise to perform the work. The Circuit Clerk failed to document the reasons bids were not solicited. Even if there is only one firm or individual that can supply the desired services, the decision to forego solicitation of bids should be documented.

- C. During the audit period, the office's records indicated the accountant's work resulted in the identification and distribution of over \$1.6 million from both the pre- and post-1999 civil cases. In addition, some of the computer system enhancement costs noted above and the efforts of the Circuit Clerk's regular staff were also required to develop semi-automated processes, pull and re-file the paper case files, generate and account for the payments, and monitor the accountant's activities. The following table shows the share of the distributions by recipient:

Recipient	Share	\$ Distributed
City of St. Louis	24.6%	\$ 413,867
Sheriff of City of St. Louis	27.6%	463,816
State of Missouri	24.6%	413,889
Individuals or Attorneys	21.8%	365,775
Other	1.4%	24,206
Total	100%	\$1,681,553

In 2003, the accountant in conjunction with the private computer company and the Circuit Clerk's staff developed a computer system enhancement, Autotax1, that would speed up the distribution of monies in which the total amounts deposited by the parties in the lawsuit exceeded the final costs and fees imposed by the courts. In 2004, another system enhancement, Autotax2, was developed that would speed up the distribution of monies in cases where the deposit did not cover all costs imposed using a distribution hierarchy. However, these enhancements have not been fully implemented and each case to which either are applied must be called up on the system and in many cases the paper file must be reviewed. These enhancements were used to assist with distributing 49% of the \$1.6 million. Fully automating the Autotax functions and using selective criteria to determine large groups of cases to which they could be applied would likely address the majority of old civil cases and result in correct distributions of most of the \$7.6 million in old civil monies. It is likely that case by case review would be required to address some of the remaining funds. Working at the current rate using the same procedures it could take over 12 years for the accountant to complete the process just on the old civil monies.

The Circuit Clerk and the accountant determined work would focus on the more recent cases, 1998 first and then 1997, 1996, etc. It was felt the accuracy of the computer records and the availability of the paper case files would be much better on the more recent cases. The accountant determined computerized records for pre-1990 activity are very unreliable and the non-computerized financial records for the older cases generally cannot be located.

The Circuit Clerk did not consider alternative methodologies to address the distributions related to old civil cases. The Circuit Clerk should consider directing the accountant to review cases with large dollar amounts listed. Based on detailed reports of amounts held, as of February 28, 2005, there were 669 cases that had more than \$250 identified to them. The amount associated with these

cases was over \$492,000 with one case having over \$19,000. The possibility that large amounts due to individuals may exist should be thoroughly investigated.

We also noted over 28,000 personal property tax cases totaling over \$2.25 million. The accountant reviewed several of these cases and it appears the monies related to these cases had actually been distributed within a short time of case disposition. The checks were prepared manually and the computer system was not updated. The Circuit Clerk should have the accountant conduct a formal sample of the personal property tax cases and if the test results indicate all monies had already been distributed then an automated process should be developed to correct the financial records. While this process may not result in a direct and immediate distribution of funds, it would allow the Circuit Clerk to determine if the bank account contains monies that cannot be associated with any case. This procedure would allow some monies to be declared abandoned and could then be distributed under the abandoned property laws.

With the pending implementation of the JIS criminal and civil systems, correction of the case records that will be transferred to the new systems is critical. It appears a majority of the old cases can be cleaned up and the associated monies distributed by fully automating the Autotax functions, working the cases with larger dollars and addressing the personal property tax cases.

**WE RECOMMEND** the Circuit Clerk:

- A. Dedicate additional resources to the distribution of monies related to old, inactive cases. If the distribution of the monies cannot be completed in a reasonable time, the monies should be declared abandoned and turned over to the State Treasurer, as required by law.
- B. Solicit bids for accounting services. If solicitation of bids is not conducted because there is only one firm or individual that can provide the desired services, the decision to forego solicitation of bids should be documented.
- C. Consider alternative methodologies for resolving and distributing the old civil monies including fully automating the Autotax functions and applying them to selected groups of cases, working cases with large dollar amounts and using a sample approach to resolving the personal property tax cases.

**AUDITEE'S RESPONSE**

*We agree to consider retaining additional outside accounting services, or develop new automated methods to speed up our work, if their cost do not exceed their benefit.*

*We disagree with other conclusions and recommendations.*

*First, we disagree with the conclusion that the office has not dedicated sufficient resources to solve a problem created by past administrations. This Circuit Clerk has dedicated interest earnings to disburse these long held funds, which were accumulated during prior administrations. This Circuit Clerk is the first to have made substantial progress correcting this problem. No one wants a faster return of money to the private citizens entitled to a refund than this Circuit Clerk. Yet, that desire cannot overrule common sense. We cannot disburse money simply on the strength of past administration financial records because those records are not reliable.*

*Second, we do not agree with the audit's characterization of the money in question as "abandoned." In each case, the private citizen, the rightful owner, is not aware they are entitled to a potential refund. The premature transfer of the funds to the state would cut off the private citizens' right to a potential refund, and is contrary to the Circuit Clerk's fiduciary duty to those citizens. We will continue our successful work to disburse these funds to the rightful owners. When we determine that we have fulfilled our fiduciary duty, we will disburse the balance of funds, if any, to the proper government agencies.*

*We agree bidding for acquisition of goods and services is ordinarily the prudent practice to follow. There are circumstances, as is recognized in the audit, where goods and services can only be practically acquired from a single source. We agree our records do not include documentation that this accountant is a single source provider, and we will place such documentation into our records.*

*We agree to consider other methods to distribute these funds, such as some suggested by the audit. We disagree that our focus should shift from disbursing money to taking action that reduces the imbalance between our "open item" records and our deposits. Even if successful, it would not disburse a dime, or move us closer to a point where we could simply disburse according to past financial records.*

- A. As past audits have documented, the current Circuit Clerk inherited an office whose financial books were out of balance with the deposits in the bank. Prior records indicate the office was holding hundreds of thousands of dollars more than what was on deposit. To avoid disbursing money to those not entitled to a payment (refund), we must verify that money is actually being held on a particular case.*

*We have used interest earnings to pay for software enhancements and a contract accountant to verify or identify cases where we are reasonably certain disbursement to a government agency or a refund to a private citizen is due. Despite a substantial loss of staff, including 9 in the Finance Department, we have disbursed nearly \$1.7 million dollars, or about 17 percent of the total amount of the funds in question.*

*Our efforts have caused the refund of \$365,775 to private citizens who have waited years for their refund. We have disbursed \$877,683 due to the city of St. Louis, and have likewise disbursed \$413,889 to the State of Missouri.*

*The Circuit Clerk has succeeded in using outside resources to resolve this issue. In collaboration with the State Treasurer's Office, we have disbursed over \$400,000 in additional money to the state, mostly from unclaimed bond money. As such, we have to this date disbursed to the State of Missouri over \$800,000 from these funds.*

### *Child Support*

*We have discovered a resource that can help us identify the last known address for child support recipients. A sample of cases were put through a private software search engine and identified the most recent address of many of the recipients. It was our plan, in cooperation with the Division of Child Support Enforcement Agency, to download unique personal data from their data system, Missouri Automated Child Support System (MACSS), and then download it into the private company's search engine to do individual searches in bulk entries.*

*At this time, the Division is unable to provide us with the automated assistance we need. We are exploring the feasibility, given our limited number of employees, for us to retrieve the necessary information manually, case by case. If we determine we cannot apply sufficient manpower to this project we will begin the process of turning over the undeliverable child support money to the state as unclaimed funds.*

*Given issues with MACSS, even this process must be accomplished by our entering data into MACSS manually, on a case by case basis. We do not know how long it will take to complete this process, as we have only 3 employees who enter current case data into MACSS. This work leaves little time for additional assignments.*

### *Criminal Cases*

*As noted above, we have worked with the State Treasurer's Office and have disbursed nearly \$400,000 in unclaimed funds mostly from criminal cases. The audit is correct that we have not worked the criminal open items prior to 1999. We have been following our plan, whereby we work with our most reliable records first. The financial records for criminal cases prior to 1999 are our most unreliable records. These records were manually created; ledger book entries do not match; and hand created documents reflect unverified changes.*

*We will first work the most reliable records, and then the criminal records prior to 1999.*

- B. Prior to 2002, the Circuit Court Budget Committee approved a special full time position for an accountant to work on the problem of our open items. We discovered, when twice filling this position, that there was a substantial learning curve before the employee became productive.*

*When the position was eliminated for budget reasons, the Circuit Clerk decided to engage the same "special accountant" to continue the work to avoid the loss of*

*productive time training a new person to do the work. The office used the former state salary for this position as a measure to determine the cost of the accounting services.*

- C. *As noted in our responses to 3.A., we have disbursed nearly 17 percent of the total funds. This audit estimates that it will take us 12 years to disburse the balance of the civil open items. The State Auditor's previous estimate for us to complete this work was 16.5 years. See March 2003 Audit Report, (1.A.1), page 5. As such, based upon the State Auditor's estimates, we have accomplished 4.5 years of work in 2 years.*

*Although we are uncertain how long it will take for us to finish our work, we are certain that our work is the only real chance citizens have to receive a refund of their money.*

<b>4. Banking Services</b>
----------------------------

The Circuit Clerk did not adequately monitor interest earnings and banking charges. The Circuit Clerk maintained twenty-one bank accounts during the period July 1, 2002 through February 28, 2005. Eleven of these accounts were restricted activity accounts as ordered by the courts. Four accounts were established in 1999 when the Circuit Clerk took office so activity for cases filed prior to January 1999 could be kept separate. The remaining six accounts were established to separate various types of current activity, civil, criminal, garnishment, savings, child support, and special interest. We noted the following concerns:

- A. The Circuit Clerk has not solicited bids for banking services since 1999. Furthermore, the banking services agreements for the various accounts were not in writing. The Circuit Clerk had made an oral agreement with the bank regarding the interest rate that was to be paid on the accounts and was provided a list of commercial demand deposit charges that would be applied to the accounts. The Circuit Clerk indicated that he had intended to solicit bids for banking services in 2004; however, other matters arose which required the staff's attention. The Circuit Clerk should periodically solicit bids for banking services.
- B. The Circuit Clerk did not monitor the interest paid on the bank accounts. The cash basis interest receipts between July 1, 2002 and February 28, 2005, totaled over \$132,000. The oral agreement was that the bank would pay 98 percent of the current federal funds rate each month. Almost immediately after the accounts were opened, the bank began paying less than the agreed upon rate and within a few months the rate had been reduced to 92 percent of the federal funds rate. The Circuit Clerk did not require the bank to report total interest earned on the accounts or the current federal funds rate.

The interest earnings were calculated using various factors, such as average monthly balance, a 10 percent reserve on each account, banking charges, and the methods used to apply those charges to the accounts. Using information available at the Circuit Clerk's office, we could not determine whether the bank had paid



the correct amount of interest. The bank was contacted and provided an explanation on how the interest should have been credited to the accounts and indicated there may have been a problem with how the bank calculated the interest rate. We brought our concerns to the attention of the Circuit Clerk. After he contacted the bank, the bank issued a check for \$88,564 to correct for the past underpayment of interest since the accounts were opened. The bank reported, since 1999, it had paid a total of \$658,725 in interest on the eight accounts for which the interest flowed to the Special Interest Fund and should have paid a total of \$747,309. The bank indicated they had corrected the percent of the federal funds rate so future interest would be correct.

- C. The Circuit Clerk did not monitor the bank charges imposed on the various accounts or determine if all banking services on each account were necessary. During the audit period, we estimated total bank charges exceeded \$75,000.

We noted ten of the eleven restricted accounts were each assessed a monthly service charge of \$20 plus a small fee for FDIC coverage. These accounts had virtually no activity except the crediting of small amounts of interest. There was an unrestricted account that had no activity and a very low balance, and 2 accounts with higher balances but no activity. These three unrestricted accounts also incurred bank charges of \$20 per month. During the audit period, the bank charges on the thirteen no or very low activity accounts totaled over \$5,000. Due to the relatively low balances held in these accounts and low interest rates in effect, the banking charges exceeded the interest earned on most of these accounts during the audit period.

At our suggestion, the Circuit Clerk had his staff review some of the bank charges. It was determined that all of the low or no activity accounts could have been opened as public funds accounts. The bank paid a slightly lower interest rate of 80 percent of the federal funds rate but imposed no bank charges on this type of account. Because there were no procedures in place to examine bank account activity and related charges, unnecessary bank charges applied to accounts went unnoticed. The Circuit Clerk should establish criteria for selecting bank account types that will maximize interest earnings while minimizing bank service charges.

- D. The Circuit Clerk also did not monitor the bank charges imposed on the child support account. The Circuit Clerk has maintained a child support bank account for such cases since 1998. This account handled the receipts and distributions of child support monies, except those cases in which the state family support center was designated as the trustee. Between 1999 and late 2000 almost all of the child support collection activity transitioned to the state family support payment center. In 1999 when the Circuit Clerk took office, the account had very high activity, large daily balances, a nightly repurchase agreement was in place to maximize interest earning, and other banking services were used to provide adequate safeguards. By late 2000, the Circuit Clerk had about \$430,000 remaining in the

account and the activity was reduced to debiting and crediting of the repurchase agreement activity and posting of interest and bank charges.

The Circuit Clerk's office did not review the banking services and the related costs on this account. The banking charges on this account exceeded \$200 per month and we estimated the total bank charges exceeded \$7,700 for the audit period. As noted above, the Circuit Clerk could have switched account types and dropped unnecessary services and eliminated or significantly reduced the bank charges on this account with only a slight reduction in interest earnings.

**WE RECOMMEND** the Circuit Clerk solicit bids for banking services and obtain written banking services agreements, ensure interest earnings are in compliance with agreements, establish criteria for selecting the proper type of bank accounts, and establish monitoring procedures to maximize interest earnings while minimizing bank charges.

### **AUDITEE'S RESPONSE**

*We agree. We will review our banking service needs, and place them out for bid prior to June 30, 2006. We put our current agreement with the bank in writing.*

*We agree. In the future our Bookkeeping Department will monitor interest payments and bank charges to ensure the terms of our agreement are kept.*

*We agree. We should have done a better job monitoring how we open the restricted accounts. We have established new procedures that will ensure we will open new restricted accounts under the "public funds" option to reduce expenses. We have transferred all (approximately 20) restricted accounts to "public funds" accounts.*

*We agree. Our focus on other issues obscured what was in plain sight; our banking needs for child support accounts have changed. We will conduct a review of our current needs and adjust our current banking services appropriately.*

- A. *The office had planned to bid out our needs for banking services last year but did not accomplish our goal. The office will be converting to JIS in June 2006 and we will bid out our banking service needs to coincide with that event.*

*It should be noted that the office does have a policy and procedure in place for obtaining bids for the deposit of long and short term investment (one year and six months respectively). During the current Circuit Clerk's term, the office has earned an interest rate comparable to the State Treasurer's Office, while complying with all laws respective to the investment of deposits.*

- B. *The Circuit Clerk has used past audits he has requested as a blueprint to correct the office's financial records. Our focus has been on the many areas of concern raised about past administration practices. Once the office had secured a very favorable agreement*

*with the bank on charges and interest, we assumed we were being charged and paid as had been agreed.*

*As noted in the audit, the bank has recognized its error, and paid the office the difference in interest, with interest paid on the interest, totaling nearly \$95,000. Due to the discovery of the error by the audit, and agreement between the office and the bank, the public was not injured by the error.*

## **5. Bidding Procedures**

The Circuit Clerk did not have written bidding policies and procedures. In addition to computer, accounting, and banking services, we noted the Circuit Clerk failed to solicit bids or document why bids were not solicited for 7 items purchased with Special Interest Fund monies, costing more than \$2,000 each, and had a total cost of \$60,950. The following is a list of the items by vendor type, amount, and item description:

Vendor Type	Amount	Description
Computer Systems Company	\$ 25,750	AS 400 Upgrade
Computer Systems Company	9,100	AS400 Equipment and Installation
Business Systems Company	16,312	Used Office Shelving
Private Individual	2,248	Carpeting and Installation
Private Individual	2,860	Carpeting and Installation
Furniture Company	2,320	Used Office Furniture
Contracting Company	2,360	Shelving Installation
Total	\$60,950	

The Circuit Clerk indicated the AS400 purchases were necessary to acquire used hardware, emergency replacement, and data recovery when the office's existing system suddenly became inoperable. The clerk indicated the used shelving and furniture were located by visiting the some local vendors and comparing the items available. The Circuit Clerk did not document the reasons that bids were not solicited.

In April 2005 after we brought the preceding items to the Circuit Clerk's attention, the clerk directed the Director of Finance to develop a written bidding policy and procedure. Under the new policy, items costing less than \$500 may be purchased from a list of approved vendors with the additional approval by a senior staff member. For items costing more than \$500 and less than \$25,000, three possible vendors should be contacted, by telephone if desired, the quotations recorded and provided to the Circuit Clerk for final approval. For items with an expected cost of \$25,000 or more, formal written bids will be solicited by advertisement and other possible vendors contacted by phone or mail. The final bid award decision will be made by the Circuit Clerk. In the event there is only one firm, company, or individual capable of providing a particular service or good, the bidding requirements will not apply and the Circuit Clerk must approve the purchase. The new bidding policy had not been formally approved by the Circuit Clerk as of May 16, 2005.

**WE RECOMMEND** the Circuit Clerk adopt a formal bidding policy and solicit bids in accordance with that policy. If solicitation of bids is not conducted because there is only one firm or individual that can supply the desired services, the decision to forego solicitation of bids should be documented.

### **AUDITEE'S RESPONSE**

*We agree we need to improve our documentation of bidding. Absent the purchases for carpeting, where the job was too small for others to bid, all of the transactions listed were bid, but the documentation of that bid process was not done. We have established a written policy to ensure that documentation is completed. We will continue our efforts to reduce the financial burden on St. Louis taxpayers' by keeping our spending below FY 1999 expenses.*

*The audit quotes the Circuit Clerk's Message to Taxpayers that is posted on the office's website, [www.stlcitycircuitcourt.com](http://www.stlcitycircuitcourt.com). Included with his message are the office's annual expenses. It should be noted that during the Circuit Clerk's term in office, using FY 1999 expenses as a benchmark, we have reduced the office's actual expenses by more than \$1.5 million dollars. These savings are documentation of our efforts to spend taxpayers' money wisely.*

### **Circuit Clerk's General Response**

*I requested this audit to answer any doubt or suspicions that may have been created regarding my decisions relating to the handling and use of the office's interest earnings.*

*An audit is not meant to point out good work, because that is what is expected. Rather, an audit should identify issues that those too close to the situation cannot see.*

*This audit has helped us see areas where we can improve, and as with the two previous audits, we will work to correct those practices. I trust the audit lays to rest any concerns that may have been created by the administrative order issued January 2005.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

TWENTY-SECOND JUDICIAL CIRCUIT  
CITY OF ST. LOUIS, MISSOURI  
CIRCUIT CLERK'S SPECIAL INTEREST FUND  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

History

Under Section 483.310, RSMo 2004, Circuit Clerks are allowed to invest court registry funds and to use the interest income to purchase goods and services for the Circuit Clerk's office. The Circuit Clerk primarily invested in certificate of deposits and interest bearing checking accounts.

The Circuit Clerk, at February 28, 2005, held over \$13.5 million in investments and interest bearing checking accounts for which the interest earnings could be transferred to the Special Interest Fund. The Circuit Clerk used the interest income to purchase computer equipment and services, accounting services, reimburse the city for temporary employee payroll expenses and miscellaneous office furniture and supplies. From fiscal years 1999 through 2001, the Circuit Clerk had turned over to the city's general fund \$1.2 million of interest earnings. During the audit period, the Circuit Clerk did not turnover any interest proceeds to the city's general fund. At February 28, 2005, the balance of the Special Interest Fund was \$142,518. See the accompanying Appendix for a Schedule of Receipts, Disbursements and Cash Balances of the Special Interest Fund for the audit period.

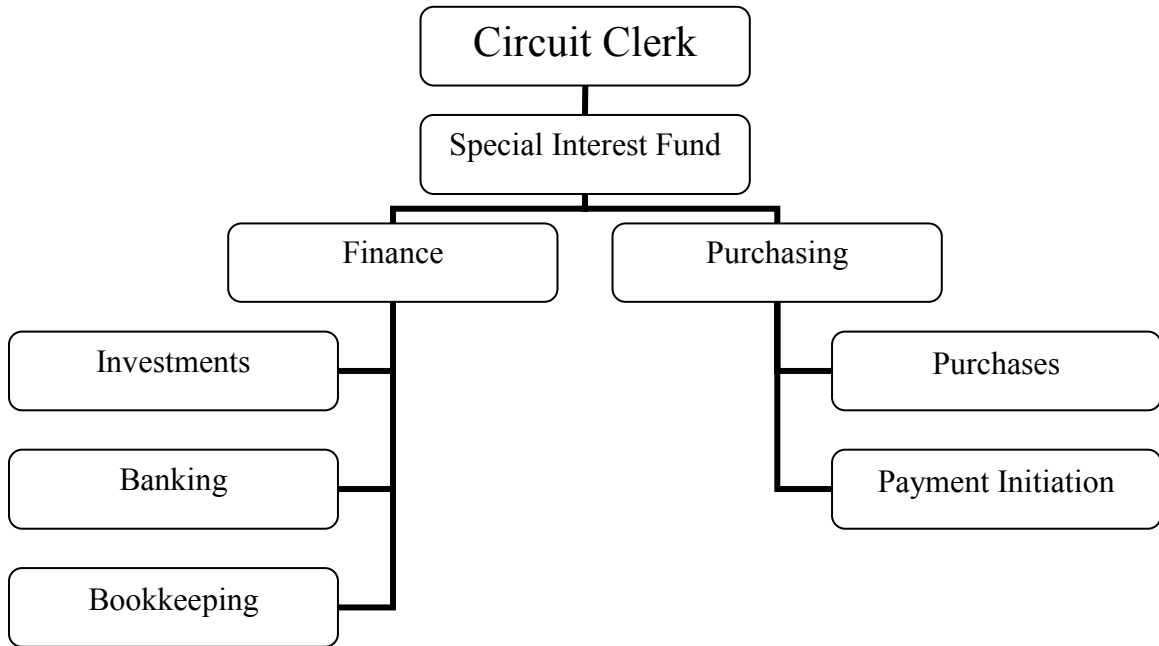
Personnel

At February 28, 2005, the key officials of the Twenty-Second Judicial Circuit, City of St. Louis, Missouri, were as follows:

Honorable John J. Riley, Presiding Judge  
Mariano V. Favazza, Circuit Clerk

An organization chart follows:

Circuit Clerk's  
Special Interest Fund  
Organization Chart



# Appendix

## TWENTY-SECOND JUDICIAL CIRCUIT CITY OF ST. LOUIS, MISSOURI CIRCUIT CLERK'S SPECIAL INTEREST FUND SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES

	Period July 1, 2004 through February 28, 2005	Years Ended June 30,	
		2004	2003
<u>SPECIAL INTEREST FUND</u>			
Revenues			
Investment Earnings	\$ 114,061	112,304	346,166
Bank Account Interest (1)	18,614	48,489	65,447
Error Reimbursements	108	446	2,908
Total Revenues	<u>132,783</u>	<u>161,239</u>	<u>414,521</u>
Expenditures			
Accountant Services	29,455	46,968	45,011
AOL Membership	231	347	636
Computer Services	31,035	80,083	446,551
Error Corrections	6,440	4,596	1,817
Office Furniture/Supplies	0	7,540	19,933
Personnel Reimbursement to City	25,459	86,964	130,934
Postage/Box Rental	0	446	3,245
Other	239	12	2,733
Total Expenditures	<u>92,859</u>	<u>226,956</u>	<u>650,860</u>
Beginning Cash Balance	102,594	168,311	404,650
Ending Cash Balance	\$ <u>142,518</u>	<u>102,594</u>	<u>168,311</u>

(1) Interest Earned Net of Bank Charges